

Meeting Summary:

Technical Advisory Group:

WQIF Cost Control Measures – Policies and Guidelines Development

June 29, 2007, 10 AM – 2:00 PM, DEQ Piedmont Regional Office

1. Members present:

Name	Representing
1. Alan Pollock	DEQ-OWQP, TAG Chairman
2. Frank Harksen	VAMWA
3. Mark Haley	VA NCEA
4. Mike Gerel	Chesapeake Bay Foundation
State Resource Staff	
5. John Kennedy	DEQ-CBP, Staff Lead
6. Bob Ehrhart	DEQ-CBP
7. Marcia Degen	DEQ-OWE
8. Allan Brockenbrough	DEQ-Water Permits
9. Vijay Satyal	DEQ-Office of Policy

Invited members not attending:

Larry Land – VA Association of Counties
Denise Thompson – VA Municipal League
Bill Street – James River Association
Nathan Lott – VA Conservation Network
Tim Castillo - Nelson Co. PSA (non-significant dischargers)
Walter Gills - DEQ-CAP

Others in attendance: None

2. TAG members were provided with:

- The draft agenda.
- A memo presenting “Response to Questions and Action Items” from the 5/30 TAG meeting.
- A paper provided by HRSD staff on EPA’s Value Engineering (VE) Program and recent results from VE analysis on 2 HRSD projects
- Excerpts from the VA Public Procurement Act (§2.2-4308) covering Design-Build contracts for public bodies other than the Commonwealth; eligibility requirements; award of contract; records to be kept.
- The citation (1 VAC 17-20-10) for rules and regulations of the VA Design-Build Construction Management Review Board, for public bodies seeking to use competitive negotiations for procuring design-build or construction management contracts.
- Information from the VA Division of Legislative Services on the Public-Private Education Facilities and Infrastructure Act, and a link (dls.state.va.us/ppea.htm) to the notice of public comment on proposed revisions to the model guidelines for its implementation by responsible public entities.
- A table summarizing the WQIF applications received by the 6/18/07 solicitation deadline; 20 applications for new projects (1 ineligible) + 6 revisions of previous applications submitted in 2005-06; total grant amount requested = ~\$148 million.

- The “straw man” revised Section 6, Methods or Information to Aid in Controlling Excessive Costs, from DEQ Guidance Memo #06-2012. These draft revisions were used as a starting point for discussions on what to present for public comment regarding “*optimal use of existing and potential cost control measures*”, as directed by HB 1710.
3. The first item addressed was “Response to Questions and Action Items” from the 5/30 TAG meeting. The memo was accepted with one revision, based on a TAG member comment, in item 5.b. (potential grant condition requiring nutrient credits be made available for trading if generated as a result of a WQIF-funded project). The change states that one condition would be the plant has not been notified by DEQ that they are subject to the 95% flow policy due to increased flows (rather than the current wording which might be interpreted as the plant isn’t subject to the policy).

Discussion on items in the memo:

- 4 – Suggested cut-off for VE analysis is a nutrient reduction technology (NRT) cost of \$10 million (see later discussion on “straw man” revised cost control measures).
 - 5.a. – Question: What are the “other” factors that affect decisions on the use of nutrient credit trading? Response: examples include ‘hot spots’ such as TMDL waters or where local water quality concerns require more stringent nutrient control than the Chesapeake Bay regulations mandate.
 - 5.b. – Question: Should there be a term limit on the required availability of credits generated as a result of a WQIF-funded project? Response: Use of 5-year, renewable increments will be examined, to coincide with the reissuance cycle of the Watershed General Permit. (See later discussion on “straw man” revised cost control measures regarding issues of percentage of total credits to be made available, types of credits, membership in the NCEA, prioritizing grant projects based on commitment to generate credits, and State control of credits generated but not pledged for trading).
 - 6.b. – Promote breaking large projects into smaller work divisions where appropriate, but recognize potential trade-offs between project complexity/construction management and benefits of enhanced competitive bidding by more/smaller contractors.
4. Next, the TAG discussed the “straw man” revised cost control measures that are proposed for inclusion in Section 6 of DEQ Guidance Memorandum #06-2012. Suggested revisions to the “straw man” included the following:
- To get a sense of anticipated project costs or comparison among projects, consulting information sources such as the ENR index or material/labor cost indices should be on an “as needed” basis rather than for every project.
 - In addition to Design-Build, support use of other alternative procurement methods such as Public Private Partnerships.
 - VE analysis should be required for projects where the NRT cost is \$10 million or more and the cost of conducting this additional engineering evaluation should be grant eligible under the WQIF. HRSD’s recent experience with VE analysis yielded very positive results [Ches/Eliz STP project: VE workshop = \$20,000, VE cost savings = \$473,000 (23:1 ratio) on a \$34 million project; Atlantic STP project: VE workshop = \$90,000, VE cost savings = \$2 million (22:1 ratio) on a \$140 million project].

- A Life Cycle Cost Evaluation should be required for the overall NRT system selected in the Preliminary Engineering Report, and also on an “as needed” basis for individual units comprising the NRT system if options are available that may reduce the size of a unit, the cost of equipment or construction, without affecting performance or reliability.
 - When considering use of the Nutrient Credit Exchange Program as an alternate to NRT upgrade, evaluation criteria should include the environmental factors previously discussed (i.e., TMDL waters, “hot spots”) as well as “bang for the buck” (e.g., \$ per million gallons treated, pounds of nutrients reduced), priority points for plants providing septage receiving (this aids localities subject to mandatory pump-out provisions and growing areas with new on-site systems).
 - The WQIF agreement should require the grantee to commit availability of credits generated by a grant-funded retrofit. In the public comment document, propose a 5-year, renewable term increment to coincide with the reissuance cycle of the Watershed General Permit. Don’t specify the “type” of credit (Class ‘A’ or ‘B’ as the Nutrient Credit Exchange Association does), and only obligate the plant owner to make a portion of the credits available (e.g., 50% for an NCEA member, 75% for non-members, to allow for a safety factor and offset uncertainty). Prioritization and scheduling of grant award should consider whether or not an owner pledges availability of credits and the amount. Realistically, any unpledged credits generated in a basin and not formally used in trading will still benefit water quality because overall loads are reduced, so in this sense the State does “control” the unused credits.
5. Planning future actions and meetings – the following format for the public review document was presented and accepted:
- It will be in the form of a report to the General Assembly, to include:
 - A description of the methods used to evaluate the existing, and develop new cost control measures through the TAG process (membership/representation, meetings, research and reference material review).
 - How each of the 6 legislative items were addressed and topics discussed outside of that list.
 - The proposed revisions to Section 6 of GM #06-2012.
 - A summary of public comment/staff response and any changes to the original proposal based on comments received.
 - TAG meeting summaries will be attachments.
 - A draft will be circulated by email to the TAG members when it is released for public comment via the Virginia “Town Hall” and also posted on the DEQ-WQIF webpage. The comment period will run 30 days.
 - Depending on the comments received and any potential revisions for the final document, another TAG meeting may be scheduled in September.
 - The final report will be presented to the appropriate General Assembly committees and staff by October 1, 2007.